HOUSING MARKET OUTLOOK

Canada Mortgage and Housing Corporation
www.cmhc.ca

New Home Market

Pent-up Demand Will Keep Starts at a High Level

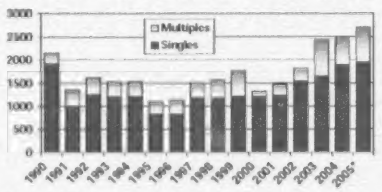
Winnipeg's home building industry has been working to capacity recording year-over-year gains for the last four years. There were a total of 2,489 new housing units started in 2004, the best year for starts since 1989 and a gain of two percent over 2003. Most of the gains came from a 15 per cent increase in single-family starts which hit 1,882 last year. While on the multiple-family side builders fell short of surpassing the 14 year-high of 789 units set in 2003 and only recorded 607 units, still well above the five year average of 406 units. 2005 promises to be just as busy as many of the factors driving demand in the Winnipeg CMA are expected to remain in place.

Rarely have conditions been as positive for the homeownership market in Winnipeg. As in the rest of the country mortgage rates have been at record lows. The one-year mortgage rate in 2004 averaged 4.6 per cent, 25 basis points less than the 4.8 per cent average of 2003. This has helped to cushion homebuyers from the effect of rising new home prices brought on by higher labour and material costs as well as increases in the price of land. Mortgage rates will continue to favour the homebuyer in 2005 as rate increases are not expected to come until much later in the year and are expected to be modest. An increase in the mortgage rate, albeit slight, will compound price increases leading to higher overall carrying costs. Demand is not expected to soften in the face of these higher costs however, since mortgage rates are but one factor driving housing demand in Winnipeg.

The job market was favorable for home ownership in 2004 with another year of strong gains in full-time employment and an unemployment rate averaging 5.5 per cent. Real gains in income were felt as well in 2004 with an average increase of five per cent in average weekly earnings. This has led to a high level of consumer confidence and helped push demand for home ownership to higher levels.

The most significant factor driving housing demand however is renewed population growth in the Winnipeg CMA. These last two years have also seen net migration to Winnipeg turn around, the population is now growing at a rate of 0.8 per cent per annum which is much faster growth rate than the net losses we experienced just a few years ago. In addition, with changing demographics and smaller household sizes, the total number of households in the city is growing at an even greater rate, 1.5 percent per annum. At this rate, since the mid-1990's there have been, on average,

Chart #1
Single and Multiple Housing Starts



Source: *Forecast CMHC

WINNIPEG

SPRING 2005

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1 **New Home Market**
Strong pent-up demand will push housing starts in 2005. New single-family construction will be hampered in the latter part of the year by a dwindling supply of serviced lots. Multiple-family construction will not face the same restriction and will maintain a robust pace in the face of strong demand coming from the seniors' market.

4 **Resale market**
Gains in sales have been held back in recent years by a lack of supply, listings are beginning to bounce back feeding an increase in sales. Demand fuelled by population and household growth will continue to outstrip supply; therefore, sellers' market conditions are expected to continue.

6 **Rental Market**
Low vacancy rates have spurred new construction of rental units however these additions to the universe are not enough to offset growing demand fueled by a turnaround in net migration. The vacancy rate is expected to remain below two per cent for the forecast period.

7 **Economy**
Economic conditions are favorable for Winnipeg's housing markets. Population and household growth, strong gains in full-time employment, real gains in average weekly earnings and low mortgage rates have led to a healthy level of consumer confidence pushing demand for home ownership to higher levels.

8 **Forecast Summary**

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over 4,000 new households created in Winnipeg every year. This is double the number of new housing units added to the housing stock. With a lack of new housing units to absorb this population gain the other housing markets have tightened substantially. The number of homes available as active listings in the resale market has declined to its lowest number on record and the vacancy rate in the rental market has dropped from 6.0 per cent in 1996 to 1.1 per cent in 2004.

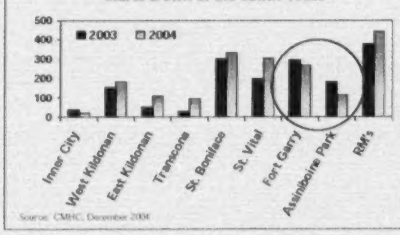
This would indicate that there is still a lot of pent-up demand in the Winnipeg housing market for new homes. Until builders can raise their output to respond to this demand, the other markets will not be able to return to balanced conditions. Going into the future, the demand for new homes in Winnipeg will not be as strongly affected by rising prices and mortgage rates as individuals still require a place to live and there is little choice left in the other markets.

Builders Will Scramble to Keep up With Demand in 2005

Given the above noted conditions, demand will not wane for single-family homes and builders will strive to keep up. Single-family starts in 2004 registered 1,882 units, a gain of 15 per cent over 2003 and the sixth consecutive year of growth. After the first quarter of 2005 growth has started to slow as starts are now running only three per cent ahead of where they were after the first quarter of 2004. One factor that will affect builders' ability to meet demand over the busy summer building season is the supply of single-family building lots. A comprehensive study of the residential land supply was undertaken last year by the City of Winnipeg and indicated that given acreages and projected absorption, there was 1.5 years of serviced land available city-wide. Of land that was not yet serviced but where residential development is permitted under the city's official development plan, the supply expands to another eight years of available land. This estimate, however, may be very generous as not all of this land in the hands of people who want to see it developed and some parcels have servicing constraints that currently make development unviable. The land supply situation was most severe in the south-west quadrant of the city, where under this study there was at best half a year of serviced land available and the potential for another four years of supply in currently unserviced land.

The industry has been working diligently to develop all available parcels of unserviced land in order to bring more lots forward for this building season. Already the lack of building lots has slowed housing starts in the south-west quadrant. In 2004, while other suburban zones in Winnipeg were registering substantial gains, the south-west zones of Assiniboine Park and Fort Garry registered declines. These zones used to represent 29 per cent of all single-family starts in the Winnipeg CMA, this market share has now dropped to 21 per cent. In order to address the land shortage a major tract of land is currently being redesignated under the City's official plan to permit

Chart #2
Single-Family Starts
Starts Down in the South-West



Source: CMHC, December 2004

residential development. The planning for the regional transportation systems and the phasing of the development is currently underway; however, given the complexity of planning this large area and the review and approval processes still required, a serviced lot in this development is not expected to be available until the latter part of 2006. Until this time, as lots become scarcer and in some cases less desirable in

Winnipeg Survey Zones

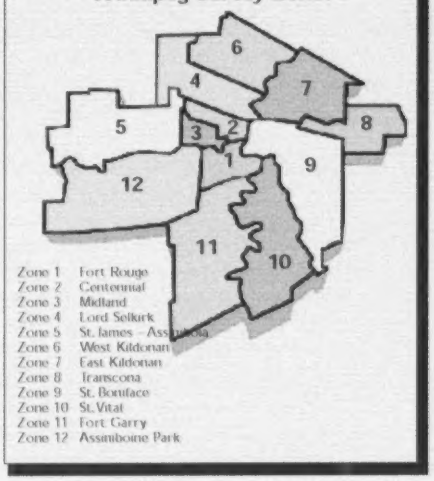


Table 1
New Home Market Information - Housing Starts
January - December (% chg 2003/2004)

	Single-family			Multiple-family			Total starts		
CMHC's Survey Zones	2004	2003	% change	2004	2003	% change	2004	2003	% change
Zone: Not Coded	0	7	***	0	25	***	0	32	***
Zone 1: Fort Rouge	5	4	25.0%	0	68	***	5	72	-93.1%
Zone 2: Centennial	5	12	-58.3%	0	0	***	5	12	-58.3%
Zone 3: Midland	7	3	***	0	0	***	7	3	***
Zone 4: Lord Selkirk	3	18	-83.3%	2	0	***	5	18	-72.2%
Zone 5: St. James-Assiniboia	13	4	***	313	31	***	326	35	***
Zone 6: West Kildonan	183	154	18.8%	2	351	-99.4%	185	505	-63.4%
Zone 7: East Kildonan	113	50	***	0	54	***	113	104	8.7%
Zone 8: Transcona	86	30	***	0	0	***	86	30	***
Zone 9: St. Boniface	323	301	7.3%	24	24	0.0%	347	325	6.8%
Zone 10: St. Vital	305	199	53.3%	112	84	33.3%	417	283	47.3%
Zone 11: Fort Garry	265	295	-10.2%	39	79	-50.6%	304	374	-18.7%
Zone 12: Assiniboine Park	132	183	-27.9%	81	69	17.4%	213	252	-15.5%
Winnipeg City	1440	1260	14.3%	573	785	-27.0%	2013	2045	-1.6%
Surrounding Rural Municipalities	442	381	16.0%	34	4	***	476	385	23.6%
Winnipeg CMA	1882	1641	14.7%	607	789	-23.1%	2489	2430	2.4%

Source: CMHC *** Indicates change greater than 100 per cent

the south-west, potential homebuyers may choose to build in other parts of the city. Gains in single-family starts in the Winnipeg CMA will be affected if buyers choose to build in rural areas, particularly in the southwestern centres Oak Bluff, La Salle and Sanford, located outside the CMA boundaries. Starts will also be affected if those buyers with a preference for the south-west part of the city defer their decision to purchase until such time as a choice lot becomes available in the new subdivision. A restriction on starts in a major market like the southwest quadrant will not be completely offset by gains in other parts of the CMA, as a result, single-family starts are not expected to grow as quickly in 2005. The forecast is for 1,950 single-family starts, representing a gain of just under four percent over 2004.

Upward Pressures on New House Price to Continue

The average price of a new house in the Winnipeg CMA was $232,032 at the end of 2004, an increase of seven per cent over 2003. New house prices will face upward pressure on several fronts in 2005. Contributing to higher average price is the increasing market share of homes in the higher price ranges. The bulk of new home construction still occurs in the $150,000 to $200,000 range. However market share in this price range has declined from 45 per cent in 2003 to 38 per cent in 2004. In the upper price ranges the biggest jump in market share is in homes over $300,000 where market share has risen from 11 per cent to 17 per cent. The market share of product under $150,000 which was at13 per cent in 2003, has declined and at the end of 2004 represented only seven per cent of the market. Rising labour and materials costs are also making it difficult to build a house for less than $150,000.

The serviced land shortage that will limit the number of starts in 2005 will also put upward pressure on lot prices. By the end of December 2004, the land component of the New House Price Index for Winnipeg saw a year-over-year jump of almost 8.4 per cent, the second largest increase of Canada's major centres. Already in 2005 by February, the year-over-year increase was up to 9.6 per cent for the land component and up 9.5 per cent in total. Average price after the first quarter of 2005 was at $259,800 up 15 per cent over the first quarter of 2004. In the face of these rising prices, compounded by expected increases in mortgage rates, potential buyers may shift back to lower priced units. By year end, increased activity in the mid-range of the market will help to moderate this early jump in average price. It is therefore expected that average new home prices will increase another eight per cent in 2005 and top $250,000.

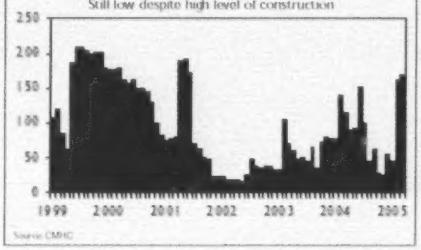
Many Multiple-Family Projects Poised to Start

Multiple-family starts in the Winnipeg CMA took a slight downturn in 2004, dropping 23 per cent to 607 units after 2003's exceptional performance of 789 units. This does not mean a continued slow down in 2005, as the large number of completions in the last two years has not necessarily contributed to an oversupply. At the end of the first quarter of 2005, the inventory of multiple-family units sitting complete and unoccupied was up to 170, 47 per cent higher than it was one year ago. Most of the inventory (99 units) is in the rental market where vacancy rates are among the lowest in the country and units are expected to be absorbed quickly. At the current annual absorption rate this inventory will be absorbed within three months. Looking at the total supply of rental units including those units under construction, supply stands at 11 months. Given strong demand for rental units, however, it is expected that the rate of absorption will rise when this supply becomes available. The successful absorption of these recently completed units has sparked an interest in the construction of more units. As a result, other projects are currently in the planning stages which will help to sustain multiple-family rental construction in the Winnipeg market for likely the next few years.

On the ownership side there were 71 units in the inventory at the end of the first quarter up from 15 units after the first quarter of 2003, at the current rate of absorption this represents two and one half months of inventory, the total supply including units under construction stands at nine months. A build up of inventory is not expected as demand for condominiums remains high and the majority of units are pre-sold prior to the initiation of construction. Demand for condominiums in Winnipeg is mostly being driven by the seniors' market and most projects are marketed to this segment of the population. Price gains of 12 per cent per year in the resale market over the last two years have helped fuel demand in this market. Empty nesters have finally seen the value of their existing homes appreciate after flat price growth throughout the 1990's and see this as a good time to sell and make the move to condominium living. Anecdotally, developers have indicated that there is also a growing segment of young professionals entering the condominium market and purchasing those units not specifically marketed to the 55-plus segment.

More and more developers are targeting the luxury condominium segment. The average absorbed unit price for condominiums fluctuates due to the small

Chart #3
Multi-Family Inventory
Still low despite high level of construction



Source: CMHC

universe size but was $218,298 in 2004, an increase of 13 per cent over 2003. Much like with new single-family homes, more expensive condominiums are gaining market share, where condominiums priced over $200,000 were only 31 per cent of the market in 2003, this jumped to 60 per cent in 2004. As prices in the resale and new home market continue to rise, semi and row condominiums may gain in market share as potential buyers view this segment at a more affordable alternative. With so many projects in the planning and pre-selling stages, and with demographics and market fundamentals pointing to strong demand, multiple-family condominium construction is also expected to remain high for the next few years, with 750 units expected to break ground this year.

For more information contact:
Dianne Himbeault
Senior Market Analyst

Telephone: (204) 983-5648
Toll Free: 1 (877) 722-2642
E-mail: dhimbeau@cmhc-schl.gc.ca

RESALE MARKET

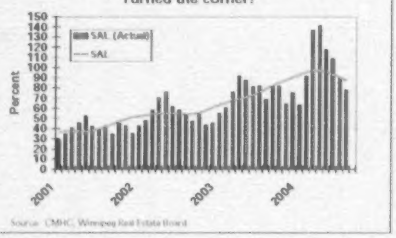
Sales Continued to Climb in 2004

A modest rebound in the number of active listings has helped to propel sales in the Winnipeg resale market in 2004. The Winnipeg Real Estate Board registered 9,828 sales within the Winnipeg CMA boundaries in 2004; this represents a gain of 7.4 per cent over 2003, the greatest gain in sales since 1996. Sales in the Winnipeg market would likely have been stronger had then not been restricted by a lack of supply. The average number of active listings under the MLS has been steadily declining since the mid 1990's, going from a high of 5,790 in 1990 to a low of 956 in 2004, the lowest on record going back to 1982. As a result, the sales-to-active listings ratio, which is an indicator of the balance between demand and supply, averaged 86 percent in 2004, up from 76 per cent in 2003, putting the Winnipeg market in extreme sellers' market territory. In other words, at an average of just over 800 sales per month, the total supply of active listings would be exhausted in approximately 35 days. During the peak spring and summer sales season the market slipped into accelerating conditions when the sales-to-active listings ratio surpassed 100 per cent. During this period, desirable properties were selling within days, many were entertaining multiple offers and almost half the properties sold at or above their listed price.

Chart #4

Sales-to-Active Listings Ratio

Turned the corner?



Source: CMHC, Winnipeg Real Estate Board

Conditions Were Right for Price Gains

These prevailing sellers' market conditions led to another year of double digit price growth. After climbing 11 per cent to $110,256 in 2003, the average sale price rose another 12 per cent in 2004 to reach $123,817. Average price has increased in every zone in the city, however, the inner city zones saw the greatest increase where the average price went from $69,396 to $80,797, a jump of 16 per cent. Average price in the suburban zones rose 12 per cent going from $122,173 to $136,997. The price gap between the inner-city and the suburbs has therefore narrowed, where the average price in the suburban zones in 2003 was 76 per cent greater than that of the inner-city zones, the average price in 2004 is now 70 per cent greater.

An increase in sales of properties in the upper price ranges is also helping to push up the average price. Low mortgage rates and carrying costs as well as gains in earnings are encouraging both move-up and first-time buyers to look to the higher price categories. Sales of homes over $210,000 in 2004 were up 56 per cent over 2003, with market share increasing from six per cent to nine per cent. Conversely, sales in the lower price ranges have dropped as all price categories under $79,999 registered a drop in sales. The greatest drop was in homes under $39,999 where there were 29 per cent fewer sales in 2004 compared to 2003 and market share has dropped from 10 per cent of all sales to six per cent. Recent price gains also mean that there are fewer homes in Winnipeg valued in the lowest price categories. Although sales growth has been modest for homes priced between $80,000 and $120,000, this price range also shows the lowest level of supply and the tightest market conditions. Demand is still strong for this mid-range of the market and sales growth would likely be stronger is supply was available.

Active Listings Reaching a Turning Point

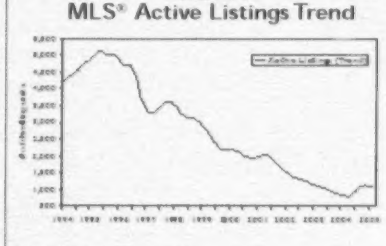
Active listings began to turn around at the mid point of last year and recorded five consecutive months of year-over-year increases, the first time active listings have climbed consistently since 1995. This trend has continued into the first quarter of 2005; as of the end of March 2005 there were 38 per cent more homes on the market than there were at the end of March 2004. The increase in active listings has been no doubt fuelled in part by the ever increasing levels of activity in the new home market. As new homes are completed and are ready for buyers to move in, those buyers in turn list their homes for sale. The low cost of borrowing has also prompted some existing homeowners to take advantage of sellers' market conditions and list their home as they look to going into the move-up market.

While a recent increase in active listings is a positive sign, the Winnipeg resale market is not expected to return to balanced market conditions in 2005. The last time Winnipeg saw balanced market conditions was in 2001, when active listings were double where they stand currently. Demand for resale homes in Winnipeg will remain strong in 2005, propelled by a number of factors including relatively low mortgage rates, high levels of employment and real gains in average weekly earnings. But the strongest factors currently influencing housing demand is demographics. Thanks to a turnaround in net-migration, population growth in the CMA has returned to levels not seen in over twenty years. At the same time, the number of persons per household has declined fuelling additional growth in the total number of households. The overall housing stock, however, has not enjoyed the same level of growth; this has led to the decline in active listings as these new households buy up what is available in the resale market. Growth in the number of active listings can best be achieved through growth in the housing stock. The return to balanced market conditions in the resale market will depend very much on the ability of new construction to keep pace with household growth.

With new home construction levels expected to remain high, and continued favorable conditions for the move-up buyer, the number of listings is anticipated to rise throughout 2005. This increase in listings will therefore help to feed sales which are projected to reach 11,600 by year end for an increase of 7.4 per cent over total sales of 2004.

Chart #5

MLS® Active Listings Trend

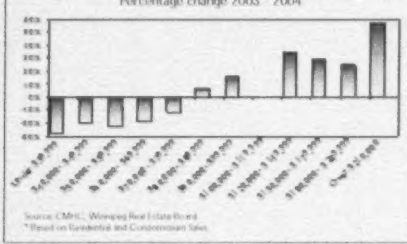


Source: CMHC, Winnipeg Real Estate Board
* Based on Residential and Condominium Sales

Price Growth to Moderate Only Slightly in 2005

The turnaround in the number of active listings will also help to ease upward pressure on prices going in 2005. Although with prevailing sellers' market conditions, price gains will continue to outstrip inflation. With two months of data, year-to-date average price as of February 2005 was $122,664, up over 10 per cent from February of 2004. The peak spring/summer season of resale activity

Chart #6
MLS® Sales Growth by Price Range
Percentage change 2003 - 2004



is yet to come and realtors are already noticing a brisk pace. The Winnipeg Real Estate News is reporting that during the first quarter of 2005 many homes were still selling above list price and entertaining multiple offers. The average price in 2005 will also be influenced by sales increases in the upper price ranges and a corresponding drop in lower priced sales. However, a forecasted modest rise in mortgage rates will compound the effect of increasing prices and demand in the upper price ranges will begin to wane, putting increased pressure on the mid-range of the market. Given these conditions, prices will continue to climb at a significant rate with a forecasted increase of 10 per cent in 2005 bringing the average price of a home sold in the Winnipeg CMA under MLS to $134,000.

Table 2
Residential Resale Market Information*
Winnipeg CMA by Area
January - December (% Change from 2003/2004)

	Sales			Average Price		
CMHC's Survey Zones:	2004	2003	% change	2004	2003	% change
Zone 1: Fort Rouge	597	552	8.2%	$116,897	$101,533	15.1%
Zone 2: Centennial	270	251	7.6%	$55,720	$46,766	19.1%
Zone 3: Midland	733	650	12.8%	$76,101	$65,468	16.2%
Zone 4: Lord Selkirk	970	850	14.1%	$69,108	$58,211	18.7%
Inner-city Area	2570	2303	11.6%	$80,797	$69,396	16.4%
Zone 5: St. James-Assiniboia	874	821	6.5%	$114,314	$100,227	14.1%
Zone 6: West Kildonan	717	594	20.7%	$117,787	$103,943	13.3%
Zone 7: East Kildonan	1049	1058	-0.9%	$105,494	$94,503	11.6%
Zone 8: Transcona	488	417	17.0%	$108,960	$92,596	17.7%
Zone 9: St. Boniface	666	714	-6.7%	$154,148	$136,866	12.6%
Zone 10: St. Vital	874	850	2.8%	$133,512	$121,911	9.5%
Zone 11: Fort Garry	798	749	6.5%	$160,715	$143,817	11.7%
Zone 12: Assiniboine Park	1213	1122	8.1%	$180,708	$161,368	12.0%
Suburban Area	6679	6325	5.6%	$136,997	$122,173	12.1%
Surrounding Rural Municipalities	578	525	10.1%	$162,805	$146,897	10.8%
Winnipeg CMA	9827	9153	7.4%	$123,817	$110,312	12.2%

Source: WREB, CMHC *Includes single-family and condominium sales

Condominium Market Growing

The condominium market represents only 10 per cent of all resale activity in the Winnipeg CMA, but it is growing. Sales of condominiums in 2004 were up 9.4 per cent over 2003. Price growth was also greater in this market where the average price went from $97,908 in 2003 to $115,469 in 2004, a gain of 18 per cent. This is mainly due to gains in sales in the upper price ranges at the expense of the lower ranges. The average price in the resale condominium market in Winnipeg has also been affected by sales of new units as many new condominium projects market their units under MLS, and condominium construction has enjoyed a strong year. Many of these projects have been started in the inner-city zones, particularly Zone 1, this may help explain why, in contrast to the single-family resale market, the average price for condominiums in the inner-city zones at $118,614 for 2004 is three per cent greater than the average price in the suburbs at $115,174.

Moving forward into 2005, Winnipeg's condominium market will continue to grow as a resale condominium can provide a lower priced housing option for first time home-buyers who are facing ever increasing prices in the single-family

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market. Also, those empty-nesters looking for apartment-style living, who have been driving the new condominium construction market will also continue to impact the resale market. There are also supply issues in this market as the sales-to-active listings ratio is similar to that of the single-family market. Therefore, it can be expected that in the face of strong demand, price gains in the condominium market will follow those of the single-family resale market.

RENTAL MARKET

No Room for Movement in the Vacancy Rate

Positive household growth fueled by in-migration will continue to put demand pressures on all the housing markets, especially rental. When looking at immigration by age group, the 18 to 24 age category has the highest level of positive net migration, and this is the group that is most likely to seek lower priced rental accommodation. With immigration levels expected to remain high, thanks to an aggressive campaign to attract workers to Manitoba through the Provincial Nominee Program, a steady flow of new renters will be entering the Winnipeg market.

Over the last few years, low mortgage rates had prompted many renters to make the leap to home ownership. However, as mortgage rates are forecast to rise albeit modestly, they will no longer act as a cushion for rising house prices. The combination of higher mortgage rates and rising house prices will put upward pressure on the cost of home ownership. Therefore, an increase in mortgage costs will hamper demand for ownership in 2005, especially among first-time homebuyers who will remain in their rental accommodations. For those who can afford to purchase a home, however, a continued shortage of desirable resale listings, especially in the lower, entry-level price ranges will make it difficult for potential homeowners to find suitable dwellings. Resale listings have started to rebound in recent months; however, supply and choice will remain limited in 2005, keeping potential buyers in the rental market.

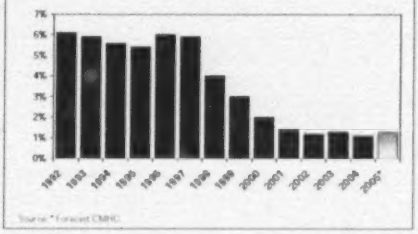
With Winnipeg's aging population, demand for multiple-family housing is also expected to remain strong. A portion of those seniors making the move to an apartment will opt to rent rather than own, providing another source of demand for the rental markets.

While there will continue to be additions to the rental market universe in 2005, these will not be enough to meet the increasing demand for rental accommodation. Therefore we can expect the vacancy rate to remain low next year as well, hovering just above one per cent at 1.3 per cent.

Rents to Increase in 2005

Each year the Provincial Minister of Consumer and Corporate Affairs through the Residential Tenancies Branch, sets a rent increase guideline. This year that guideline is set at 1.5 per cent, identical to last year. The new guideline took effect on January 1, 2005 and applies to the majority of Winnipeg's rental stock.

Chart #7
Apartment Vacancy Rate
To remain under two per cent



Given that the vacancy rate is to remain low, landlords will likely increase rents to the full extent of the 1.5 per cent rent control guideline. The average rent is expected to rise at a higher rate however due to a number of factors. The Residential Tenancies Branch will continue to receive applications from landlords to increase rents at a rate above the guideline. There will be new units added to the inventory at the upper end of the spectrum which will have the effect of pushing up overall average rents. Rehabilitated units added back to the universe in recent years will continue to enjoy an exemption from the guideline and landlords may raise rents above the 1.5 per cent rate. Therefore, overall, rents are expected to increase by more than the guideline and go up another 2.5 per cent in 2005, bringing the average rent for a two-bedroom apartment up from $664 to $680 per month.

KEEP ON TOP OF THE MANITOBA HOUSING MARKET

Provincial Preliminary Housing Starts

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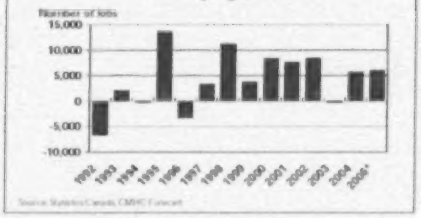
ECONOMIC OVERVIEW

Strong Employment Gains to Continue

Labour market indicators in Manitoba are favourable for households seeking to make a first time or move-up purchase. 2004 saw a net increase of 5,400 jobs in the province, and these employment gains have been in full-time employment where the number of persons employed increased by 6,800 compared to a drop of 1,400 in part-time employment. Nearly 76 per cent of individuals in the labour force have a full-time job. Access to a full-time job makes it easier for households to obtain the required financing to buy a home.

Gains in employment have been strongest in the Service-producing sector with increases in Health Care and Public Administration. On the Goods-producing side despite concerns over the rising dollar, the value of manufacturing shipments increased 10 per cent in Manitoba in 2004, which led to employment gains especially in the metals, electronics and chemical manufacturing sectors. Construction activity has also been robust in both the residential and non-residential sectors which helped to boost private capital investment in Manitoba by eight per cent in 2004. Several projects have kept the non-residential building industry busy over the last few years including the construction of the MTS Centre, and the Millennium Library and St. Boniface Hospital expansions. Many more significant projects are poised to begin construction over the next few years including the new downtown headquarters of Manitoba Hydro, a $100 million dollar redevelopment of the Health Sciences Centre, a $350 million Winnipeg Airport redevelopment, and the $700 million expansion of the Red River Floodway.

Chart #8
Change in Total Employment
Winnipeg CMA



Source: Statistics Canada, CMHC Forecast

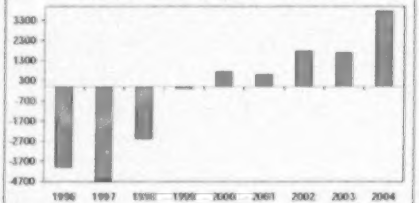
The job environment will remain favourable over the forecast period. With the provincial economy forecast to grow at an annual rate of three per cent this year and next, Manitoba will have the lowest unemployment rate among all the provinces next to Alberta. The low unemployment rate is a sign that the province is facing a shortage of skilled labour. About 69 per cent the population over the age of 15 are working or seeking work, compared to the national average of 67.6 per cent.

The provincial government is mounting a concerted effort to raise international immigration to the province in order to address the shortage of skilled labour. The immigration strategy consists of six key parts, the pillar of which is the Provincial Nominee Program (PNP). Under an agreement with Citizenship and Immigration Canada, the PNP works closely with employers to determine demand for workers and then seeks qualified immigrants who are best suited to contribute to the local economy. CMHC is forecasting a net gain of 7,800 persons through international immigration in 2005 and 2006. Immigration gains will lead to the strongest levels of population and household growth since the early 1980s and contribute to the demand for new homes. Winnipeg stands to benefit from increased international immigration since the majority of immigrants will settle in this centre.

MORTGAGE RATE OUTLOOK

Short-term mortgage rates move in tandem with the prime rate while mid- and longer-term rates vary in response to the cost of raising funds in the bond markets. Posted mortgage rates are forecast to rise moderately as interest rates head higher in 2005-06. However, tame inflation, a strong Canadian dollar vis-a-vis the U.S. dollar and slower economic growth in Canada will restrain the size and the speed of Canadian mortgage rate increases over the forecast period. Mortgage rates are expected to rise by less than 50 basis points annually this year and next. One, three, and five-year rates are forecast to be in the 4.50-5.50, 5.50-6.50 and 5.75-6.75 per cent range respectively in 2005. However, rising posted mortgage rates will not necessarily lead to higher rates negotiated between borrowers and lenders.

Chart #9
Net Migration
Turnaround in population growth



Source: Statistics Canada

SPOTLIGHT ON BUILDERS

Between 2001 and 2004, single-family starts in the Winnipeg CMA have climbed from 1,238 units to 1,882, an increase of 52 per cent. Over the same period, the number of persons employed in the construction sector has risen by only 11 per cent. Builders have therefore been able to increase the number of homes started without relying on a large influx of new labour. Part of this increased output can be attributed to efforts being made by builders to ensure that construction activity remain high throughout the year. The gap between the average number of homes started within warm months (April to October) and colder months has narrowed. An informal survey of some of Winnipeg's larger builders, however, has indicated that this increased starts activity has come at a price. They attest that homes are taking longer to complete than a few years ago since the same labour pool is now spread over a larger number of homes.

BUILDING OPPORTUNITIES

CMHC's 2004 Housing Observer provides a comprehensive overview of Canadian housing conditions and trends and they key factors behind them.

The Observer gives a portrait of Canada's housing stock, how Canada's changing demographics and socio-economic factors influence our housing, and discuss the key trends in housing finance and the factors impacting the affordability of housing in Canada.

For your FREE copy of the 2004 HOUSING OBSERVER visit us on our website at www.cmhc.ca or call 1 (800) 668-2642 today!

CMHC FORECAST SUMMARY

Winnipeg Housing Market Outlook - May 2005

	2002	2003	%Chg	2004	%Chg	2005*	%Chg
RESALE MARKET							
MLS® (1) new listings (Monthly Avg.)	1,062	1,001	-5.7%	1,098	9.7%	1,200	9.3%
Total MLS® Sales	9,881	10,201	3.2%	10,797	5.8%	11,700	8.4%
Average MLS® Price	$98,054	$108,812	11.0%	$121,925	12.1%	$132,000	8.3%
NEW HOME MARKET							
Starts							
Total	1,821	2,430	33.4%	2,489	2.4%	2,700	8.5%
Single-family	1,528	1,641	7.4%	1,882	14.7%	1,950	3.6%
Multiple-family	293	789	169.3%	607	-23.1%	750	23.6%
Average New House Price							
Single-family	$198,382	$216,458	9.1%	$232,032	7.2%	$250,000	7.7%
RENTAL MARKET							
Vacancy rate (Oct)	1.2%	1.3%		1.1%		1.3%	
2-bedroom Rent (Annual % Chg)	2.8%	3.7%		3.0%		2.5%	
ECONOMIC OVERVIEW							
Mortgage rate (3 yr term)	6.28	5.79		5.65		5.81	
Mortgage rate (5 yr term)	7.02	6.39		6.23		6.28	
Employed	370,900	370,600	-0.1%	376,300	1.5%	382,300	1.6%
Employment growth (# jobs)	8,300	-300		5,700		6,000	
Net-migration (Census Year 2)	1,145	1,667	45.6%	3,747	124.8%	4,200	12.1%

* CMHC Forecast

Source: CMHC, Statistics Canada, Edmonton Real Estate Board

1 Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association.

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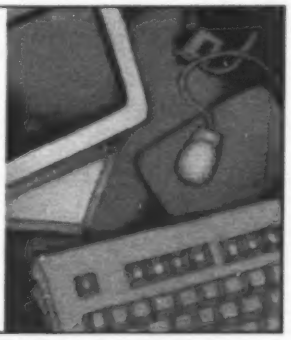

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